Managing for Results Highlights

USAID continues to be a leading agent of change among U.S. government agencies. 1995–96 saw another year of intense internal reengineering to advance the efficiency and effectiveness of programs. Essential to successful reengineering is widespread adoption of the Agency's core values: results orientation, customer focus, teamwork and participation, and empowerment with accountability. To further these core management values, USAID during the past year has

■ Issued directives to guide planning, achieving, and monitoring program performance and results

■ Formulated customer service plans, sought customer involvement at the planning stage, and solicited regular customer feedback as programs were carried out

■ Formed teams around program objectives to more actively engage USAID staff, partners, and customers in developing programs and activities

■ Continued to seek proper degrees of increased empowerment for decision-making by staff and teams while ensuring an adequate understanding of accountability responsibilities between management tiers

Essential to managing for results is reviewing and rating performance and using that analysis for decisions on programs and resource allocation. During the year USAID

■ Emphasized the requirement that program managers regularly revalidate the underlying logic of their strategies

■ Continued to improve the reliability and validity of the data generated for Agencywide performance information systems

■ Worked to standardize tenets of strategic planning, performance measurement, and reporting across Missions and bureaus

■ Extended use of the new Results Review and Resource Request (R4) system and made this new system the basis of the annual performance and budget reviews

USAID for now must plan to manage less *with* less. Management initiatives to reconfigure staff and program during 1996–97 include

■ Issuing a restructuring guide on the overseas work force establishing staff size and skills for various country program situations

■ Narrowing the scope of country programs, given the reality of limited human and financial resources

■ Increasing attention to ensuring that institutions and programs in graduating countries will be sustainable once assistance is phased out

USAID is sharing its field experience with reengineering through a series of publications on best practices. In 1996, the Agency published six reports from Missions in Bolivia, Central Asia, the Dominican Republic, and the Philippines. Two general reports cover a year of experience among country experimental labs, and planning and managing for results under reengineering.

Managing for Results

Now in its third year as a "reinvention laboratory," the Agency is designing and implementing management systems and tools that respond to the Government Performance and Results Act of 1993. The act seeks to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for performance and to measure results.

The act requires pilot agencies to write performance plans that describe goals and objectives, summarize resources to be used, and list indicators for measuring results. To build on the establishment and use of results-oriented management approaches, USAID has begun putting into effect new program, procurement, and human-resource systems; instituting new policies and procedures for Agencywide reporting and for reviewing performance; and developing new management approaches.

As the Agency reengineers systems, it faces new management challenges. They include

■ Finding ways to integrate new operational management and implementation teams into existing organizational structures

■ Grappling to identify the range and level of authority to be delegated to those teams

■ Finding cost-effective strategies for including customers' perspectives in program design and implementation

In addition, a decreased operating budget has led to a substantial reduction in personnel. These cuts have forced the Agency to make difficult choices. They include assessing where scarce USAID resources can be spent most effectively, determining how Agency programs can best be managed to achieve sustainable results, and gauging when and how to exit once development gains have been realized.

The preceding chapters detail results achieved and progress made over the last year under each of the Agency's five development goals. This chapter discusses the initiatives USAID has taken to better manage its staff, programs, and financial resources to achieve those results.

Implementing Reengineering

USAID has always worked with partners to achieve sustainable results. For some time, though, the Agency has recognized the need for a more responsive and supportive operations system. From an analysis aimed at building on what has been done well and learning from mistakes, the Agency is changing how strategic plans are developed, how programs are managed, and how performance is monitored, evaluated, and rewarded.

Through reengineering, USAID seeks to ensure that its staff have the necessary information, authority, and incentives to respond to the perspectives of beneficiaries in developing countries, the customers of the development assistance USAID provides. Four core values guide USAID's efforts:

■ A results orientation (rather than managing by inputs)

■ Customer focus (rather than letting internal procedures define purposes and constrain performance)

■ Teamwork and participation (interdisciplinary teamwork within the Agency and with partners and customers)

■ Empowerment with accountability (giving teams the necessary authority to make decisions, with clear accountability for results)

With these mutually reinforcing values, the Agency continues to develop better targeted, better informed programs with a higher probability of success. Reengineering is giving new meaning to "participation" by

formalizing teamwork with partners and involving ultimate customers wherever possible in designing and implementing programs. In short, USAID is building a results-oriented management system that invests in countries where the commitment to achieving results is shared by both host country and development partners.

USAID is building on best practices that have emerged from decades of experience in strategic planning, program implementation, performance measurement, and evaluation. To further streamline operations, USAID is completing a new Agencywide management information system. It is designed to enable managers worldwide to better share information, collaborate on teams, and learn from one another's experiences.

Applying the Core Values

USAID seeks to achieve results in collaboration with its customers—the ultimate beneficiaries. Agency staff have begun organizing themselves into results-oriented teams empowered with the information and authority necessary to achieve results and be held accountable for them. These teams solicit the participation of stakeholders—that is, all who influence or have an interest in development results. In building ownership and sustainability

Box 6.1. Customers Help USAID Refine Its Programs

From April through November 1995, USAID/**Bangladesh** conducted two customer assessments. They examined the needs and perceptions of Bangladeshi men and women regarding democracy and governance. One was done just before embarking on developing the Mission's strategic plan, and the other was done just before completing that plan.

USAID/**Bulgaria** learned through a series of workshops that duplication of effort, poor communication, and unmet client needs were limiting the potential results of private enterprise programs. With its customers and partners, the Mission established a consortium of organizations to address these problems.

In **Bolivia**, the USAID Mission recognized that for forest resource conservation and environmental management programs to be sustainable and effective, end-users' own priorities must shape design and execution of activities. Through interviews, meetings, and workshops, 7,500 indigenous people in the program region have collaborated with USAID in developing a model program for biodiversity conservation in their region of Bolivia.

into the Agency's activities, it is especially important to involve the customers and the implementing partners (see box 6.1).

Orientation on Results

Managing for results—and, ultimately, *achieving* results—is supported by each of the other three core values. The Agency has issued directives to guide planning, achieving, and monitoring and evaluating performance and results. They exemplify a conscious effort to create an organization whose structure, policies, and procedures enhance the ability to manage programs, personnel, and budgetary resources to achieve results. Customer service planning, engaging

partners and customers in defining and validating strategic plans, and empowering USAID staff to make and be responsible for decisions—these approaches form the underpinnings of managing for results. On its own, each of these values is equally valid with the others. Collectively, they are the tools to achieve and sustain results.

Strengthening Customer Focus

A customer focus in designing and managing USAID programs requires managers to seek input and feedback from each link in the chain of service delivery. Customer involvement, both when programs are being planned and while they

Box 6.2. In Paraguay, Building Ownership Through Participation

USAID/**Paraguay** faced hard decisions about investing limited resources effectively. Toward this task, the Mission engaged in a partnership approach to assemble the in-country knowledge needed to develop its strategic plan.

The Mission considered the extended team members of this process to be customer–partners. Participants included members of the Paraguayan government (including the attorney general and justices of the Supreme Court), Paraguayan nongovernmental organizations, other donors, U.S. and international private voluntary organizations, and USAID/Washington.

The approach proved effective. The extended strategic objective team developed a tightly defined plan grounded in country realities and stakeholder interests. "This approach makes us owners of the strategic plan," remarked one participant, "because we have been fully incorporated in the results." Conducting the process entirely in Spanish enhanced the experience. Customer–partners said they felt genuinely committed to the strategy and to working with USAID to achieve the results.

USAID/Paraguay's success was based on several elements: Mission staff engaged in broad advance consultation with participants. They conducted a customer–partner needs survey and shared the results before beginning to work together on developing the strategy. The Mission communicated to customer–partners USAID program outlines and preliminary strategic objectives. It hosted a week-long strategic-planning workshop with 80 customer–partners to determine the highest priorities and work together to elaborate on strategic objectives and results frameworks.

The final strategy was prepared by smaller partner working groups, and the full plan was later shared with the larger partnership group. Organizations were asked to send their most informed people in the sectors and ongoing programs to facilitate this and future collaborations. USAID/ Paraguay's approach to program planning represents a model for other Missions for designing effective and inclusive strategies and for developing enduring working partnerships as well.

---

are being carried out, increases the Agency's ability to achieve its objectives (see box 6.2).

USAID Missions have developed customer service plans to systematically incorporate customer feedback into the assessment of program performance. "Customer focus" is not a new concept to USAID. But by reengineering, the Agency is strengthening its attention to the low-income individual and community—the intended beneficiary of USAID assistance.

To design an effective democracy support program, USAID/**Bangladesh** conducted surveys to identify the needs and perceptions of ordinary people regarding democratic participation. USAID/**Panama** held focus group discussions with 40 newly elected mayors and municipal officials before designing its municipal development program. The Mission relied on U.S. Information Service surveys to identify citizen perceptions of the criminal justice system, which USAID sought to strengthen.

Creating and Working In Teams

Using teams as a planning and management vehicle is indispensable for increasing participation. As the Agency's experience in planning with partners has broadened, partner involvement and integration of customer focus into planning and implementation has begun to produce more effective outcomes than activities undertaken independently (see box 6.3). Working with partners is not new to USAID, but the Agency has formalized that

process through the New Partnerships Initiative and by expanding on donor coordination committees and sector working groups.

Empowerment And Accountability

Empowering strategic objective teams requires support of senior management and delegation of decision-making authority (see box 6.4). The challenge for empowerment *within* these teams, as well as of the teams as collective units, is being felt across the Agency. Promising approaches include contracts between teams and Mission management, careful selection of team leaders by team members, and joint team leadership.

Reaching agreement on accountability between USAID/ Washington and its Missions is also essential. Mutual understanding of respective roles and responsibilities is established first during development of the country strategic plan. It is explicitly defined in the management contract for that program. The agreement is reaffirmed annually, in the review of results achieved and resources requested to continue programming in each host country.

Managing for Results As an Agency

Essential to managing for results is reviewing and rating performance and using that analysis to inform decisions in programming and resource allocation. Country program managers constantly assess performance against targets and budget constraints and make corrections.

Performance measurement has been part of program management in USAID since the mid-1980s. Increasingly, program management and budget decision-making are supported by data generated from Agencywide performance information systems. USAID is working to develop common, transparent approaches for evaluating program performance and using evaluation to inform program decision-making.

The Agency Strategic Framework, completed during 1995, helps guide this process. It provides country program managers with a clear articulation of USAID development objectives. USAID created this framework to enable managers to align their strategies and activities such that they would contribute significantly to those objectives within the context of the country they work in.

Box 6.3. The Hard Facts About Teamwork

USAID/**Dominican Republic**, a country experimental laboratory, believed that staff and partners would have to buy in to the team concept for reengineering to be successful. The Mission also knew that team-building raises new management issues. For example, staff are inevitably anxious about turf. They need to decide how much time to devote to team versus individual duties. They must adjust supervisory responsibilities, clearly delineating relationships and lines of responsibility. And they need to make determinations about delegations of authority. Staff need training to manage teams productively. And teams need to define their objectives clearly.

Box 6.4. Empowerment of Strategic Objective Teams

USAID/**Honduras** staff is organized in strategic objective teams. Mission management has delegated to team leaders a number of management authorities. Team leaders are empowered to approve funding actions up to $100,000 and to issue implementation letters up to $100,000. They may authorize in-country travel of team members and approve evaluation documents. They may determine the adequacy of host country contributions. They may authorize project completion reports. And they may approve vouchers.

Operating unit programs are now clearly linked to Agency goals, objectives, and approaches, and annual reviews are becoming more performance based than ever before.

The Agency's reengineered systems and approaches are placing greater emphasis on managing for results. They do so by working to standardize the tenets of strategic planning, performance measurement, and reporting across bureaus; to underscore results at the strategic objective level; and to define roles for central and regional bureaus in the annual sectoral and program performance reviews.

The reviews provide an annual opportunity for USAID's Washington-based development and management professionals to work directly with field staff in assessing progress toward achieving program results. In the reviews, managers compare actual performance against stated strategic objectives. They capture experience and lessons learned, and they gain a better sense of the Agency's contributions to development. A discussion of reviewing and rating performance follows.

The R4 Process: Reporting, Reviewing, And Rating Program Performance

Reengineering introduced changes in Agency requirements for strategic planning and performance monitoring and reporting. The Results Review and Resource Request (better

known as the R4) is among the most significant of the reengineering innovations. In submitting the R4, Missions will report on their progress toward meeting the intermediate and longer term results that they determined in their strategic plans were likely to be achievable. These submissions and the strategies that underlie them also serve to link field Mission and Washington bureau objectives with USAID's primary development goals and objectives, defined in the Strategic Framework. Moreover, the R4s provide the basis for determining future funding and staffing needs.

In 1996 the R4 was the basis of performance and budget reviews throughout the Agency. The results-reporting portion of the R4 includes 1) the operating unit's assessment of whether the program is achieving expected results, 2) how actual results compare with the performance targets set earlier for each strategic objective, and 3) the particular contribution USAID-supported activities made toward achieving the objective.

The Asia and Near East (ANE) Bureau's critique of its 1996 R4 illustrates the utility and the complexity of the new results-oriented system. As a general concern, the bureau's R4 consistently pointed to a familiar conflict between a desire for real and sustained development, on the one hand, and declines in budget and staff, on the other.

In the current environment, ANE found, Missions often are taking different approaches to country development. They now are less likely to propose broad, comprehensive programs, tending instead to concentrate on narrower interventions in areas with high potential for substantial development impact. They are placing more emphasis on program and financial sustainability.

They are intensifying efforts to tap into the energy of others in the donor community and the private sector and among nongovernmental organizations. They are devoting more attention to new ideas and information, both as inputs to Mission operations and as substantive characteristics of Mission programs. They are redoubling their efforts in policy dialog, particularly on potentially high-impact areas.

They are building complementarity across their strategic objectives in economic growth, environment, and democracy and governance. They are investing effort to draw in partners to share commitment to common development efforts. And they are encouraging cooperation among Missions on regional concerns and opportunities.

In reporting on results, Missions or offices discuss shortfalls as well as successes and indicate how they are using performance information in making program and management decisions. Bureaus are

seeking ways to better integrate strategic objective performance into budget and other program decisions. Performance in strategic objectives, however, is only one of many factors bureaus use to set country or office support levels. Other factors include level of development and need, host country performance, foreign policy considerations, and global development issues such as population growth, global warming, and threats to biodiversity.

Managing With Less

USAID faces the cumulative impact of years of budget cuts. It no longer is able to do "more with less."

—Statement of the Administrator, FY 1997 Congressional Presentation

If the current trend continues, USAID will be managing less, *with* less. Program and management practices are adjusting to this likely reality. The Agency is obtaining legislative accommodations giving it some greater flexibility in using appropriated money. Policy guidelines are being set on the appropriate staff size and composition of overseas posts. And Missions are taking a hard look at programs put in place when funding and staff expectations were rising.

The following discussion looks at the new realities through the prism of appropriations and legislation, Mission management, program categories, overseas work force, strategic changes, and graduation.

Appropriations and legislation. The Agency is taking management action to ensure that recent declines in money and staff do not impinge on achieving good development results. USAID's future program-funding levels are uncertain. Table 1 in Appendix C portrays actual and projected amounts.

The ratio of operating costs, measured in dollars, to program effort remains stable at about 10 percent (see table 2 in Appendix C).

Mission management and country program principals. Decentralization of decision-making and empowerment of staff are USAID watchwords. Earlier, the Agency devoted effort to laying out its development goals and strategic objectives. More recently, management considerations have come to the forefront. In this era of downsizing and transition, it is management's fundamental responsibility to inform those charged with directing programs what they are expected to do and what resources they can expect to do it with.

Country program categories. To inform internal discussion and decision-making, policy guidance establishes four categories of country aid programs:

FULL MISSIONS. These will support 3–4 Agency goals.

LIMITED MISSIONS. These will support 1–2 Agency goals.

LIMITED HUMANITARIAN. These will provide on-the-ground humanitarian or reconstruction assistance.

EXIT. These are programs that are expected to close by the year 2000.

Overseas work force Restructuring Guide. Along with the recent policy statement on country program categories, the Agency issued a detailed companion *Restructuring Guide* on the overseas work force. This guide, prepared by Washington and field managers and staff, determines the number of staff and the skills needed for various overseas assistance situations. USAID's full Missions will have a U.S. direct-hire staff of 8 to 19 people and a foreign service national staff in the range of 61 to 105. Staff levels for more narrowly focused field offices will range from 2 to 9 direct-hire staff and 19 to 58 foreign nationals.

The guide is useful in helping managers adjust to diminished overhead funding. Each U.S. direct hire stationed abroad can cost several hundred thousand dollars a year. The guide does several things. First, it sets reasonable limits on the numbers of overseas direct-hire staff USAID will support—the number sufficient to adequately manage programs.

Second, it recognizes that foreign service national staff are professionally and administratively important to the USAID Mission and that they are far less costly. The overall staffing ratio for U.S. direct hires to foreign service nationals set down by the guide for each class of Mission is roughly 1 to 9.

Third, the guide establishes internal skills allocations, within Missions, for direct hires and foreign service nationals. Missions will depend almost exclusively on foreign service nationals for financial management and administrative and clerical support. The ratio here is 2 to 50. Within the U.S. direct-hire skills category, the *Restructuring Guide* advances the importance of management responsibility. U.S. overseas staff are identified principally with oversight, management, and support functions. Fifty percent or more of all direct-hire staff serving abroad should be assigned to support, general management, and administrative functions.

Strategic changes. With fewer staff and less money, but more clarity of purpose, Missions are making strategic changes intended to produce narrower but still important results.

Because of falling funding levels and a high rate of overall economic growth, the **Indonesia** program is working toward transition in its strategy for economic growth. The Mission now features assistance in growth that promotes a joining of Indonesian institutions with counterparts in the United States.

In **Kenya**, because of democracy-and-governance concerns, the program is reclassified from a full Mission to a limited assistance program. The strategy and in-country staff have been pared back accordingly.

El Salvador will soon complete many activities under its war-to-peace strategic objective. With less funding available overall, a new strategic plan for 1997–2002 is in preparation. In economic growth, the previous emphasis on macroeconomic reform will shift to alleviating rural poverty.

Graduation. An increasingly important part of USAID planning is ensuring that the institutions, programs, and objectives the Agency supports will be sustainable once assistance is phased out. In planning for sustainability, the Agency looks to the institutional, sectoral, and country program levels. Strategic planning therefore includes establishing thresholds, or "graduation points," and designing exit strategies to ease the transition from USAID-assisted interventions to locally self-sufficient systems and results.

At the institutional level, USAID works to strengthen sustainable governmental and nongovernmental organizations. It helps these organizations generate private and public resources to become self-sufficient. In most cases, this means helping them develop more cost-effective programs. Often it means helping them generate cost-recovery programs or public–private partnerships. For certain key institutions, the Agency has helped develop endowments that draw on special funds to provide continuing support even after USAID leaves the country.

USAID also lays emphasis on graduating major program areas, or sectors. Progress is not always parallel across sectors. Therefore, planners must examine each sector to determine what institutions and what systems must be developed for results to be sustained without additional USAID support. Here, leveraging other resources can be an important part of the strategy. This has been particularly true in Eastern Europe. In the **new independent states** of the former Soviet Union, experience has shown that USAID's comparative advantage often lies in providing technical leadership and policy-reform advice. Multilateral donor groups, meanwhile, provide multimillion-dollar loans for the actual building of infrastructure. Leveraging other donor resources is an important step toward ensuring sustainability of developmental programs.

In earlier years USAID advisers conducted the necessary studies for a $346 million World Bank loan to rehabilitate **Romania**'s upstream-petroleum

sector (that is, all facets of the industry before refining). USAID continues to support this loan by providing technical assistance and training to the National Agency for Mineral Resources, a regulatory agency responsible for managing the exploration, production, and protection of Romania's mineral resources.

In **Russia**, USAID provided $1.5 million in technical feasibility assistance, which will leverage a $550 million World Bank loan for the Krasnodar power plant. The loan will go for board approval this fall and become part of a $950 million project.

In **Lithuania** the Agency is helping the government meet conditions associated with a $26.4 million World Bank loan to rehabilitate thermal units. Advisers have helped the Lithuanian Electric Company revamp its financial statements in accordance with international accounting standards. USAID has also provided energy regulatory assistance, including support to the new Energy Pricing Commission.

This year saw the phaseout or graduation of a number of USAID assistance programs. Some were wide-ranging and long-standing, as in **Costa Rica**. In that vibrant Central American nation, the Agency and its predecessors for half a century played a pivotal role in nurturing sustainable development. Some of USAID's more limited and targeted assistance programs, in the **Czech Republic**, for example, are also coming to a close as the objectives of both USAID and host country are realized. More generally, the number of sustainable development sectors in the Asia and Near East region will decline from 46 now to 34 in 1998.

Conclusion

USAID has carried out many new initiatives over the last year to increase its ability to manage its staff, programs, and financial resources effectively and efficiently and to better plan, achieve, and evaluate results. The Agency is committed to results-oriented management approaches based on listening to and working with its partners and customers in developing countries.

The Agency officially implemented reengineering in October 1995. Since then, the concept and the opportunities it presents have been embraced by many field operating units. Though USAID staff and the Agency's partners are still climbing the learning curves together, a great deal can be learned from their experiences.

USAID is documenting experiences and lessons learned from the field. Suggestions for strengthening teamwork and customer and partner participation are being shared throughout the Agency and beyond. Such exchanges are essential to ensure that the Agency continues to grow as a learning organization.

In June 1996 USAID sponsored two workshops and a session at its annual Summer Seminar on reengineering. The sessions sought to explore recent experience with two central features of reengineering: working with teams and working with customers and partners. More than 120 USAID professionals shared the observations and first-hand experience of technical assistance and training teams that had visited 29 Missions since October 1995.

In addition, USAID has developed several Internet venues to facilitate sharing and learning from experiences from across the Agency. Information shared through Internet exchanges sparks new ideas— ideas that help engender more effective approaches to advancing results-oriented programs.